

PUBLIC DISCLOSURE

July 16, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Certificate Number 58177

**Sallie Mae Bank
5217 South State, Suite 210
Murray, Utah 84107**

**Federal Deposit Insurance Corporation
25 Jesse Street at Ecker Square
San Francisco, California 94105**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Sallie Mae Bank, Murray, Utah**, prepared by **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **July 16, 2007**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

This institution is being evaluated under the strategic plan option. The plan approved by the agency, sets forth goals for satisfactory (and outstanding, if applicable) performance.

INSTITUTION' S CRA RATING: This institution is rated **NEEDS TO IMPROVE.**

An institution in this group needs to improve its overall record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Summary Conclusions for the Assigned Rating:

The FDIC approved Community Reinvestment Act (CRA) strategic plan submitted by Sallie Mae Bank (SMB), for the purposes of evaluation under the CRA, became effective June 12, 2006. The strategic plan was approved to cover the time period from June 12, 2006, through June 11, 2009. The review period of June 12, 2006, through June 30, 2007, was used for evaluating the bank's performance during this evaluation. At the bank's request, affiliate lending was also included for consideration in this evaluation. The strategic plan includes community development goals for the areas of lending, investments/grants, and services. The community development loans included loans to student borrowers residing inside the assessment area as well as student borrowers residing outside the assessment area but attending schools within the assessment area.

The bank's rating of "Outstanding" was lowered by the identification of a substantive violation of Section 5 of the Federal Trade Commission's Unfair and Deceptive Acts or Practices. Section 345.28(c) of the FDIC's Rules and Regulations discusses the effect of illegal credit practices on an assigned CRA rating.

The following provides information concerning the bank's strategic plan goals:

Plan Year- End Total Assets	Actual Loan Totals	Bank Established Goals (2006/2007)		Performance Level Attained
		Loan Volume Needed for Satisfactory Performance: (1%/1.10%) of Plan Year-end Total Assets)	Loan Volume Needed for Outstanding Performance: (1.2%/1.3%) of Plan Year-end Total Assets)	
\$807,259,538	\$19, 583,711	\$8,072,595/ \$8,879,855 *	\$9,687,114/ \$10,494,374 *	2%

* Based on assets as of 06/30/2007

Source: Bank Records

The bank's performance exceeded the levels for outstanding performance of 1.2 percent in 2006 and 1.3 percent of loans in 2007, by over \$9 million. SMB and affiliates financed a total of 2,286 qualified community development loans for an aggregate of \$19.6 million towards continued education by students. This represents 2 percent of total assets as of June 30, 2007, which substantially exceeds the bank's goal of 1.20 percent of total assets for 2006 and 1.30 percent for 2007.

Plan Year	Investments / Grants	
	Satisfactory	Outstanding
Year Ending 2006/2007	\$50,000/ \$60,000	\$ 60,000/ \$70,000

Source: Bank Records

During the review period, the bank donated \$60,000 in community development qualified grants and donations, thus meeting its goals for outstanding performance. However, this performance is negatively impacted by the bank's failure to provide investments and services for 2007 through the examination date.

Plan Year	Community Service Hours	
	Satisfactory	Outstanding
Year Ending 2006/2007	55 hours / 66 hours	66 hours / 77 hours

Source: Bank Records

During the review period, the bank provided 123 hours of qualified service hours, exceeding (on an annualized basis) the bank's goals for an outstanding rating in either 2006 or 2007.

Response to Complaints

SMB has not received any complaints relating to its CRA performance.

Compliance with Anti-Discrimination Laws and Other Regulations

A substantive violation of Section 5 of the Federal Trade Commission Act regarding Unfair and Deceptive Acts or Practices was identified. The violation resulted from the bank's failure to properly oversee the co-branded marketing practices of its affiliate. The practice was discontinued in April 2007. The deceptive act is inconsistent with meeting community credit needs. Therefore, the identification of the substantive violation resulted in a lowering of the CRA rating from "Outstanding" to "Needs to Improve."

DESCRIPTION OF INSTITUTION

SMB had assets of \$942,538,000 (as of the December 31, 2007, Report of Condition and Income). SMB is an industrial bank chartered by the State of Utah, which began operations on November 28, 2005. The bank operates from a single office in Murray, Utah, which is located in central Salt Lake County. SMB does not operate a traditional bank lobby, branches, or maintain cash on its premises. Little walk-in customer traffic exists as most business transactions are conducted electronically or through the mail.

SMB is a wholly-owned subsidiary of SLM Corporation (SLM) located in Reston, Virginia, which is widely known for the funding, delivery, and servicing of higher education loans for students and their parents. SMB provides its parent company with the legal means to originate loans internally; particularly for private education loans, which account for the bulk of the bank's lending activity and total assets. Since the bank started originating loans in February 2006 through July 2007, the bank has originated \$7.6 billion in total loans, of which \$6.7 billion were sold to various SLM affiliates, and \$984 million were retained by the bank. SMB originates three types of loans: federally-guaranteed consolidation loans, private education loans, and career training loans. The loans are made nationwide and at select institutions internationally via SLM's existing lending channels.

The descriptions of the three products are as follows:

- **Private Education Loan** - represents SMB's most significant loan product at 92 percent of current total originations and 82 percent of retained loans. These loans are primarily offered to undergraduate and graduate students enrolled at accredited, degree-granting colleges and universities. SMB retains up to 10 percent of the private education loans it originates. The retained loans are only held until repayment status begins, typically six to nine months after a student graduates.
- **Federally-Guaranteed Consolidation Loan (FFELP)** – is a consolidation product that allows for the bundling of student loans into one new consolidation loan, with the opportunity to lock in a low fixed interest rate. Applications for federally guaranteed consolidation loans are disseminated through both college financial aid offices and SLM's own direct marketing efforts. SMB has met certain guidelines imposed by the Higher Education Act in administering loans under the FFELP which allows its consolidation loans to be 100 percent guaranteed by the government. These loans represent the only other loan category maintained on SMB's balance sheet at 18 percent of total loans.
- **Career Training Loan** – This product is typically offered to fund attendance at technical training schools, trade schools, community colleges, and continuing education programs. All of these loans are sold at origination to the affiliate Education Credit Finance Corporation (ECFC).

Loan originations are predominately funded through a participation and sale arrangement with ECFC. The bank funds its loans primarily with affiliate deposits and NOW accounts (pre-paid debit cards).

DESCRIPTION OF ASSESSMENT AREA

SMB has defined its local assessment area (AA) as the contiguous counties of Salt Lake and Utah. The bank's only office is located in the City of Murray, Utah, in central Salt Lake County. Salt Lake County is the most populated county in the state, followed closely by Utah County. The counties represent over 56 percent of total state population. Utah County has experienced the largest increase in statewide population over the last 5 years through 2005. The two counties are home to the four largest institutions of higher education in the state: University of Utah, Utah Valley State College, Salt Lake Community College, and Brigham Young University. The following tables show demographic and university/upper education data for Salt Lake County and Utah County.

Demographic Data for Salt Lake County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	205	2.44	21.95	47.32	28.29	0.00
Population by Geography	968,858	0.79	22.59	49.65	26.97	0.00
Owner-Occupied Housing by Geography	221,417	0.20	16.53	52.75	30.52	0.00
Business by Geography	98,530	7.80	21.08	39.90	31.21	0.00
Farms by Geography	1,607	2.43	15.81	47.29	34.47	0.00
Family Distribution by Income Level	233,707	16.76	19.97	24.84	38.44	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	85,825	1.45	34.25	50.67	13.62	0.00
Median Family Income HUD Adjusted Median Family Income for 2004 Households Below Poverty Level		54,586 60,100 8%	Median Housing Value Unemployment Rate (2000 US Census)		170,522 2.35%	

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census and 2004 Housing and Urban Development (HUD) updated median family income (MFI)

Higher Education in Salt Lake County:

The county has two public colleges and one private college with recorded data between 2004-2005 with respect to enrollment and degrees obtained. These are:

Institution	Total Enrollment	Associate Degree	Bachelor's Degrees	Master's Degree	Doctorate Degrees	Total Degrees
<u>Salt Lake Community College</u> – a public accredited urban multi-campus college. SLCC has three full-service campuses, eight teaching centers located throughout the Salt Lake Valley, and an eCampus for distance learning.	60,000	2,053	0	0	0	2,053
<u>University of Utah (U of U)</u> – a public accredited institution, leader in biotechnology research.	25,000	0	5,198	1,303	229	6,997
<u>Westminster College (WC)</u> - is a fully independent, privately funded, nondenominational, comprehensive liberal arts college.	2,500	0	5,531	711	194	6,436
Total	87,500	2,053	10,729	2,014	423	15,486

Source: Utah System of Higher Education 2005-2006 data Book

Demographic Data for Utah County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	85	8.24	14.12	45.88	28.24	3.53
Population by Geography	368,536	9.06	14.93	47.32	28.54	0.15
Owner-Occupied Housing by Geography	66,800	1.44	11.29	53.20	34.07	0.00
Business by Geography	35,768	3.57	14.23	48.75	33.42	0.03
Farms by Geography	791	1.39	7.84	61.19	29.58	0.00
Family Distribution by Income Level	81,675	17.70	19.40	24.45	38.45	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	30,304	13.76	24.58	46.78	14.88	0.00
Median Family Income	50,010	Median Housing Value		154,118		
HUD Adjusted Median Family Income for 2004	55,000	Unemployment Rate (2000 US		2.26%		
Households Below Poverty Level	11%	Census)				

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census and 2004 HUD updated MFI

Higher Education in Utah County, Utah

The county has one public college and one private college with recorded data between 2004 and 2005. These are:

Institution	Total Enrollment	Associate Degree	Bachelor's Degrees	Master's Degree	Doctorate Degrees	Total Degrees
<u>Utah Valley State University</u> – a public institution that offers short-term training programs for high tech careers, transfer degrees, and bachelor's degrees.	22,019	1,815	1,071	0	0	2,923
<u>Brigham Young University</u> – a private college that provides education in consistent with the ideals and principals of its sponsor, The Church of Jesus Christ of Later-day Saints (LDS). It is recognized for its extensive language programs, performing arts ensembles, and graduate programs in Business and Law.	29,932	0	5,531	711	194	6,436
Total	51,951	1,815	6,602	711	194	9,359

Source: Utah System of Higher Education 2005-2006 data Book

ASSESSMENT AREA'S ECONOMIC OUTLOOK

As of second quarter 2007, Utah was still enjoying a robust expansion in the construction industry due to homebuilding and job growth running at about triple the national pace in this area. The service industry also continues to grow, while manufacturing payrolls continue to decline. Overall, Utah unemployment has been below 3 percent for 3 straight months, about 2 percentage points below the national figure; despite a rapid expansion in the labor force since 2004.

COMMUNITY CONTACT OVERVIEW

During the CRA assessment examination, three local higher education entities were contacted; two of which were privately funded and one state funded with public funds. Additionally, one contact was performed with a housing services organization.

The privately funded institutions had common philosophies with regards to student loan funding. These institutions were generally not troubled with students obtaining the necessary funding, since the responsibility of obtaining funding is strictly left to each student and their respective parents. These institutions assume that if students are low-or moderate-income (LMI) that they may apply for federal sponsored grants, and that those that do not qualify, have a selection of lenders willing to evaluate their applications for qualification.

The publicly state funded community collage institution was more concerned that most of their student population lacked the necessary financial literacy as college students. Most of these students consist of LMI individuals who lack the necessary resources for college expenses and have never had savings for higher education. Since most of the student population is short term, the entity will generally attempt to obtain the necessary funding via the readily available federally sponsored grants and government funding. All other students that do not fall into the LMI category generally seek financing through other lenders.

The housing services contact stated that more financial education should be provided to LMI individuals in the areas of predatory lending, nontraditional mortgages, and payday lenders. This contact stated that there were opportunities for financial institutions to assist in providing financial education within the AA.

DISCUSSION OF CRA PERFORMANCE IN THE BANK'S ASSESSMENT AREA

The bank has established a three-year Strategic Plan by which its CRA performance is to be evaluated. The plan was approved by the FDIC as of June 12, 2006. The bank's current plan covers the timeframe from June 12, 2006, through June 11, 2009. For review purposes, the time frame covering the current analysis is from June 12, 2006, through June 30, 2007, one year from the plan's inception.

The bank's performance for the current year was assessed using the bank's goals outlined in its plan. A summary of the institution's strategic plan lending, investment, and service test goals and its actual performance is detailed on the following pages. Each of the performance test criteria has measurable requirements needed for the institution to achieve either a satisfactory or an outstanding level of CRA performance.

The bulk of the bank's plan performance consists of lending to students attending colleges in its AA and students residing outside of the AA but still attending schools within the AA.

SMB set the following measurable goals for total student lending within its AA:

SMB's plan for the current assessment year presents satisfactory and outstanding levels of bank activity for the following three goals. The approved goals established by the bank for its plan are as follows:

Goal 1: Achieve a predetermined total dollar volume of loans to students attending schools within the bank's AA. These loans must be extended to students residing in LMI geographies as determined by the student residence of record.

Goal 2: Provide a predetermined total dollar volume of qualified grants/scholarships/donations within its AA.

Goal 3: Provide a predetermined number of qualified community development service hours within the bank's AA.

A specific time frame for each of the established goals, and the bank's performance over the initial planned year evaluation period follows.

Lending Test Goal

Goal 1: Loans to students from LMI geographies that are residing in the AA or, attending schools within the AA

To measure lending performance, the bank determined that it would generate student loan volumes based on a percentage of plan year-end total assets. For the current assessment period, total assets amounted to \$807 million as of June 30, 2007. To achieve satisfactory performance, the bank established that it would originate a volume of loans in its assessment area equal to 1 percent of the plan's year-end total assets for 2006 and 1.10 percent for 2007. The bank set the loan volume needed for outstanding performance at 1.2 percent and 1.3 percent of year-end total assets for 2006 and 2007, respectively. The bank substantially exceeded (during the review period) the percentages established for Outstanding for calendar year 2006 and 2007. See the table below.

Time Frames	Projected Planned Total Assets	Community Development Loans and Investments			
		Satisfactory		Outstanding	
Year-end 2006	\$ 339 million	1.00 %	\$ 3.4 million	1.20 %	\$ 4.0 million
Year-end 2007	\$ 733 million	1.10 %	\$ 8.1 million	1.30 %	\$ 9.5 million
June 30, 2007		Bank's Performance from June 12, 2006 to June 30, 2007			
Actual Balance \$807 million				2.00%	\$ 60,000 (1) + 19,583, 711) \$ 19.6 million

Source: Bank Records

Loans to students: (1) residing in and attending school in the AA, or (2) residing outside the AA, but attending school in the AA.		
County Name	Loan Count	Loan Balance
Utah County	106	\$ 779,468.99
Utah County	303	\$ 2,453,059.04
Salt Lake County	74	\$ 503,516.77
Salt Lake County	1811	\$ 12,775,415.14
Residing outside AA, attending school within the AA	26	\$ 261,319.38
Residing outside AA, attending school within the AA	366	\$ 2,810,931.37
TOTALS	2,686	\$19.6 million

Source: Bank Records

Investment Test Goal

Goal 2: Provide a predetermined total dollar volume of qualified grants/scholarships/donations within its AA.

The bank determined the following volume of qualified grants/scholarships/donations were necessary to achieve either a satisfactory or outstanding level of performance with this goal:

		Bank Established Goals		
Plan Year	Actual Grants and Scholarships	Level of Grants/Scholarships Needed for Satisfactory Performance	Level of Grants/Scholarships Needed for Outstanding Performance	Performance Level Attained
2006	\$60,000	\$50,000	\$60,000	Outstanding
2007	None to Date	\$60,000	\$70,000	NO RATING

Source: Bank Records

The bank has not made any qualified grants/donations in 2007 to-date.

SMB's grant/scholarship program provided funding for educational opportunities to LMI minority students, and financial literacy education to school aged students (K-12 Grades). These investments were arranged through the following non-profit organizations with an extension of their activities:

- A Utah based Hispanic Chamber of Commerce foundation focused in raising money for students that demonstrate the need for financial assistance.
- A Utah based community college foundation that provides early outreach initiatives intended for low-income and or first generation students whose parents have little to no knowledge of the college opportunities available for their children.
- A Junior Achievement chapter based in the State of Utah, that provides elementary through high school students education about their future responsibilities as individuals, workers and consumers.
- A state college foundation that provides multicultural initiatives to maintain the minority student population in colleges as equally balanced as possible. The foundation offers a series of administrative support, academic recruiting initiatives, and cultural community programs, geared towards the needs of the ethnic student population.

Service Test Goal

Goal 3: Provide a predetermined number of qualified community development service hours within the bank's AA.

SMB's strategic plan stated that bank staff would perform 66 qualified service hours for 2006, and 77 qualified service hours for 2007, to be eligible for an outstanding performance rating. Actual hours of qualified community development service hours for the review period were 123 hours, substantially exceeding the two calendar year goals, thus representing outstanding performance under this test. See the following table.

			Bank Established Goals	
Plan Year	Qualified Community Service	Actual Performance	Range For Satisfactory Performance	Range For Outstanding Performance
Year End 2006	SMB Employee Hours Dedicated to Community Service Activities	<u>123 Hours</u>	55 hours	66 hours
Year End 2006			66 hours	77 hours

The total of 123 hours of qualified community service hours was extended in the area of financial literacy. The hours were used to educate approximately 266 local elementary schools children in Utah and Salt Lake Counties, and in particular to students at the following Title One schools: Roosevelt, Lincoln, and Jackson Elementary Schools.

The bank has a total of fifteen (15) employees of which nine (9) are actively assisting in the bank's endeavors to provide community development services to school aged children in the communities and/or counties they serve.

APPENDIX
SCOPE OF EXAMINATION

SCOPE OF EXAMINATION		
TIME PERIOD REVIEWED	July 1, 2006 through June 30, 2007	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED
Sallie Mae. Murray, Utah Affiliate lending performance was also included in the data disclosed.		Community Development Loans, Investments, Grants, and Services
ASSESSMENT AREA REVIEWED AND TYPE OF EXAMINATION		
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED
Salt Lake County and Utah County	On-site	N/A